Accounting 11

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EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON 25, D. C.

BULLETIN NO. 57-5 October 10, 1956

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Improvement of financial management

1. Purpose. This Bulletin establishes general requirements for the development by each agency in the executive branch of a planned program for the improvement of financial management, and for the preparation of a specific time schedule for completion of such a program. It gives effect to the President's expressed desire that the Bureau of the Budget, on the President's behalf, exercise leadership within the executive branch in this field.

This Bulletin transmits the attached pamphlet, "Improvement of Financial Management in the Federal Government," which is provided as a guide for agencies and contains background material on (a) the pertinent laws; (b) the budget and accounting recommendations of the second Commission on Organization of the Executive Branch of the Government and the President's action on these proposals; (c) the role assigned to the Bureau of the Budget by the President; and (d) the main objectives of the improvement program to be initiated by each agency under the provisions of this Bulletin.

2. Authority. This Bulletin is issued pursuant to the provisions of the Budget and Accounting Act, 1921; the Budget and Accounting Procedures Act of 1950; Public Law 863, approved August 1, 1956; and related instructions of the President.

3. Background. The Budget and Accounting Report of the second (Hoover) Commission on Organization of the Executive Branch of the Government contained a series of recommendations for improvement of financial management in the executive branch. The President, in a letter of April 26, 1956, to the Director of the Bureau of the Budget, approved plans developed by the Bureau for achieving the objectives of the Commission's recommendations. He stipulated that the executive agencies should intensify efforts to bring about more rapidly the desirable improvements. The Congress specifically adopted a number of the recommendations of the second Hoover Commission by the passage of two legislative proposals on this subject--Public Law 798, approved July 25, 1956, and Public Law 863, approved August 1, 1956.

4. Agency program. The head of each executive agency is requested to submit a planned program for improvement of financial management in his agency, and to send five copies of that program to the Bureau of

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the Budget by December 31, 1956. In those cases where it is impracticable to report by this date, the final program should be submitted as soon as possible thereafter but not later than March 31, 1957. Information contained in the agency improvement program should be coordinated with any similar material developed for the 1956 Annual Progress Report of the Joint Accounting Program.

The agency program should be prepared in terms of the constituent bureaus or other major organizational entities where appropriate, and should be developed to give priority attention to the areas of greatest need. It should emphasize the integration of agency budgeting and accounting systems, including any action necessary to enable conformance with the provisions of Public Law 863. This would involve plans for:

a. Maintenance of accounts on the accrual basis, including the use of adequate inventory and property records

b. Development of cost-based budgeting practices

c. Review and appropriate revision of budget and accounting classifications for consistency and synchronization with organization units to the extent possible

d. Development of supporting information by organizational unit where budget classifications do not coincide with the organization of the agency

e. Simplification of allotment structure

The program in each agency should also be directed toward any further action necessary at this time to comply fully with Sec. 113(a) of the Budget and Accounting Procedures Act of 1950 and other specific legislation on this subject pertinent to the respective agency. The program should cover the whole financial structure of the agency including not only its general fund appropriations, but also its special funds and revolving funds. This improvement effort should result in an accounting system that will provide: (a) full disclosure of financial results, (b) adequate financial reports for management purposes, (c) effective accountability and internal audit, (d) reliable accounting results and controls for budgeting, and (e) suitable integration with the accounting of the Treasury Department.

The program should be consistent with the guidelines set forth in the attached pamphlet, the instructions of the Bureau of the Budget and the Treasury Department, and the accounting principles, standards, and related requirements issued by the Comptroller General.

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Because of the nature of these improvements, the completion of such a program will in many cases take a considerable period of time. The program should therefore include time schedules for attainment of the various objectives, phased by fiscal year where appropriate; and should provide for the assignment of necessary agency staff. If any savings or additional recurring costs are anticipated as a result of this program, an estimate of such savings or costs should be submitted therewith.

5. Followup action. As soon as practicable after receipt of the agency program, the Bureau of the Budget will arrange with staff of the agency for a discussion of its plans. The discussion in each case will be held with the agency budget, accounting, and other officials concerned with financial management, and will include representatives of the General Accounting Office and the Treasury Department under the Joint Accounting Program.

The agency program will be reviewed for adherence to, and conformity with, the pertinent laws, instructions, and guidelines mentioned above. Particular attention will be given to the work scheduled for the first year of the program, to establish a basis for measuring progress.

To the extent that staff resources are available for this purpose, representatives of the Bureau of the Budget, the General Accounting Office, and the Treasury Department will cooperate with agency staff in making the changes required, consistent with the desire of the President for rapid progress in bringing about the necessary improvements.

PERCIVAL F. BRUNDAGE
Director

Attachment

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